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Recommended Citation

American Institute of Certified Public Accountants. Communications Division, "Microcomputer applications for small businesses: A talk for practitioners" (1983). *Association Sections, Divisions, Boards, Teams*. 93.
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**MICROCOMPUTER APPLICATIONS
FOR SMALL BUSINESSES**

A TALK FOR PRACTITIONERS

G00250

JUNE 1983

PUBLIC RELATIONS DIVISION

OUR BELEAGUERED PLANET HAS CONTENDED WITH CHANGE LARGELY BY FIRST RESISTING IT, THEN ABSORBING IT, THEN CRITICIZING THOSE WHO RESISTED IT. FEW POLITICAL OR PHILOSOPHIC REVOLUTIONS THAT BURST OVER US HAVE HAD LASTING IMPACT. THE RENAISSANCE AND THE INDUSTRIAL REVOLUTION ARE TWO THAT DID. BUT WE ARE NOW EMBARKING ON A TECHNOLOGICAL REVOLUTION THAT PROMISES TO INFLUENCE OUR LIVES TO A GREATER DEGREE THAN ALL PRECEDING CHANGES. IF THIS SOUNDS EXTREME, CONSIDER THE IMPACT OF A PHENOMENON WHICH HAS ONLY BEGUN TO FIND WIDE USAGE, PARTICULARLY IN BUSINESS; A PHENOMENON IN ITS INFANCY: COMPUTERS AND THE INFORMATION REVOLUTION.

INDEED, THE IMPORTANCE OF THESE AMAZING INSTRUMENTS, THE EXPANDING ROLE THEY PLAY IN OUR PROFESSIONAL AND PERSONAL LIVES, WAS RECOGNIZED BY TIME MAGAZINE WHICH DESIGNATED THE COMPUTER ITS "MAN OF THE YEAR."

TODAY, I WOULD LIKE TO EXAMINE WITH YOU THE IMPLICATIONS OF ONE ASPECT OF THE COMPUTER REVOLUTION -- THE MICROCOMPUTER. MY AIM IS TO EXPLORE THE BENEFITS MICROCOMPUTERS BRING TO SMALL BUSINESS.

PARTICULARLY I WANT TO EMPHASIZE HOW MICROCOMPUTERS CAN INCREASE THE EFFICIENCY OF YOUR BUSINESS, AND WE WILL EXAMINE THE COST EFFECTIVENESS OF USING MICROCOMPUTERS.

WE MUST APPROACH A DISCUSSION OF THE MICROCOMPUTER FROM THE STANDPOINT OF EFFICIENCY AND COST EFFECTIVENESS SIMPLY BECAUSE THE BOTTOM LINE WILL PROBABLY DETERMINE WHETHER YOUR COMPANY SHOULD HAVE A MICROCOMPUTER.

WE WILL ALSO REVIEW THE TRADITIONAL AREAS OF MICRO-COMPUTER USAGE -- WHAT THEY DID WHEN THEY FIRST CAME ON THE MARKET. AND WE WILL EXAMINE SOME OF THE LATEST DEVELOPMENTS IN MICROCOMPUTER TECHNOLOGY TO DETERMINE WHAT THEY CAN DO FOR YOU TODAY.

I WANT TO SHOW YOU THAT IN ALL LIKLIHOOD, MICROCOMPUTER CAPABILITY WILL ENABLE YOU TO:

1. RUN YOUR BUSINESS MORE EFFICIENTLY,
2. RUN YOUR BUSINESS MORE COST EFFECTIVELY,
3. DO THINGS YOU COULDN'T DO BEFORE.

I WANT TO SHOW YOU THAT YOU CAN GET MORE OUT OF YOUR BUSINESS THROUGH EFFECTIVE USE OF ELECTRONIC DATA PROCESSING TO MEET YOUR COMPANY'S NEEDS.

CPAs, I MIGHT ADD AS A PREFACE, HAVE HAD TO BECOME INVOLVED WITH ELECTRONIC DATA PROCESSING ON TWO FRONTS. WE ARE BEING CALLED UPON MORE AND MORE OFTEN BY CLIENTS TO ADVISE AS THEY CONSIDER IMPLEMENTING A COMPUTER CAPACITY. AND MORE AND MORE CPA FIRMS HAVE INSTALLED THEIR OWN MICROCOMPUTERS. THESE TWO FACTS ARE INDICATIVE OF THE EXTENT TO WHICH MICROCOMPUTERS ARE BEING APPLIED

TO LOCAL BUSINESSES.

IN FACT, ONE OF THE MEMBERS OF THE COMPUTER APPLICATIONS SUBCOMMITTEE OF THE AMERICAN INSTITUTE OF CPAs HAS PREDICTED THAT MICROCOMPUTERS WILL BECOME AS COMMON AS THE TELEPHONE IN THE NOT TOO DISTANT FUTURE. EVERYONE WILL HAVE ONE ON HIS OR HER DESK.

WHAT CAN MICROCOMPUTERS DO FOR YOU?

IN MANY CASES I'M FAMILIAR WITH, MICROCOMPUTERS HAVE PRACTICALLY TAKEN OVER THE GENERAL ACCOUNTING OPERATION OF SMALL BUSINESSES. WITH THE APPLICATION OF APPROPRIATE SOFTWARE, THE MICROCOMPUTER CAN DO THE GENERAL LEDGER, ACCOUNTS PAYABLE AND RECEIVABLE, ORDER ENTRY, PAYROLL, INVENTORY AND EVEN COST ACCOUNTING. IT CAN FILL OUT CHECKS AND FORMS, MAINTAIN MAILING LISTS, WRITE REPORTS AND STORE INFORMATION THAT PREVIOUSLY TOOK UP VALUABLE SPACE IN FILE CABINETS AND WAS DIFFICULT TO FIND AS WELL.

IF IT IS PROGRAMMED PROPERLY FOR ALL THIS ACCOUNTING ACTIVITY, AND IF THE CPA CHARGED WITH DOING THE COMPANY'S TAX WORK OR PREPARING ITS FINANCIAL STATEMENTS IS ACCUSTOMED TO DOING COMPUTER AUDITS, THE MICROCOMPUTER CAN LEAVE AN AUDIT TRAIL THAT IS RELATIVELY EASY TO FOLLOW.

WHAT THIS MEANS IS A PROCESS THAT STARTED OUT AS A WAY TO STORE INFORMATION HAS RAPIDLY BECOME AN ACTIVE PARTICIPANT IN CARRYING OUT MANY CRITICAL BUSINESS FUNCTIONS. AND MICROCOMPUTERS USUALLY DO IT FASTER AND MORE ACCURATELY THAN HUMANS CAN.

LET'S PAUSE FOR JUST A MOMENT TO REVIEW WHAT I'VE JUST SAID ABOUT THE BASIC -- BASIC, MIND YOU -- USES OF THE MICRO-COMPUTER.

HERE ARE THE BENEFITS YOU, THE BUSINESS OWNER, DERIVE FROM THE MOST BASIC USES OF THE MICROCOMPUTER:

IN ADDITION TO SAVING YOU AND YOUR COMPANY TIME AND SPACE, MINIMIZING THE POTENTIAL FOR MAKING CLERICAL AND COMPUTATIONAL ERRORS AND SAVING MONEY, MICROCOMPUTERS CAN SIMPLIFY YOUR MANAGEMENT OF THE ADMINISTRATION OF THE BUSINESS -- THE PAPERWORK.

LET ME GIVE YOU AN EXAMPLE. A SMALL CONSTRUCTION COMPANY HAD A REAL PROBLEM WITH ITS BOOKKEEPING. THERE WAS NO LOGIC TO ITS ACCOUNTS PAYABLE OR RECEIVABLE (ALTHOUGH THEY DIDN'T KEEP BILLS IN A SHOEBOX). IT'S DAILY EXPENSE FIGURES AND PETTY CASH SYSTEMS WERE HAPHAZARD AT BEST. AND THE BOSS AND THE BOOK-KEEPER HAD TO SPEND THE ENTIRE DAY BEFORE A PAYDAY TRYING TO RECONCILE THE WORK SHEETS OF THE CONSTRUCTION CREWS WITH THE JOB SHEETS WHICH WERE INTENDED TO TELL THEM WHAT HAD BEEN DONE DURING THE PAY PERIOD. THEN, THEY HAD TO CHECK ON THE STATUS OF THE BANK ACCOUNT AND FINALLY FILL ALL THE CHECKS OUT BY HAND.

DESPITE THIS, THEY WERE SCEPTICAL WHEN WE SUGGESTED THAT A MICROCOMPUTER COULD DO ALL THIS FOR THEM. ALL MANAGEMENT THEN WOULD HAVE TO DO WOULD BE TO ENTER THE CORRECT DATA ON A TIMELY, REGULAR BASIS. A PROPERLY DESIGNED SYSTEM WOULD DO THE REST. DESPITE THEIR SCEPTICISM, THEY GAVE IT A TRY. THE RESULTING BENEFITS: THE BOSS WAS FREE TO SPEND TIME ON THE WORK SITES OR LOOK FOR NEW BUSINESS. THE BOOKKEEPER, WHO TOOK OVER THE FUNCTION OF ENTERING DATA, WAS SPARED A NERVOUS BREAKDOWN. THE WORK CREWS GOT PAID ON TIME, THE BANK ACCOUNT STAYED IN THE BLACK, PETTY CASH ALWAYS SEEMED TO BE AVAILABLE AND THE ENTIRE COMPANY SIMPLY RAN MORE SMOOTHLY.

AND THESE ARE THE BASIC, OBVIOUS ACCOMPLISHMENTS. THE SOPHISTICATED APPLICATIONS COME LATER. AS OBVIOUSLY BENEFICIAL AS THESE ACCOMPLISHMENTS ARE, IT IS REMARKABLE THE NUMBER OF BUSINESS OWNERS WHO OVERLOOK THEM; WHO REMAIN AS SCEPTICAL AS THAT CONSTRUCTION BOSS.

IN MANY INSTANCES WHEN OUR FIRM HAS BEEN ASKED TO SOLVE A SEEMINGLY UNRELATED PROBLEM, YOU WOULD BE AMAZED AT THE RESPONSE WE GET WHEN WE SUGGEST THAT THE SOLUTION LIES WITH MICROCOMPUTERS. THESE REACTIONS ARE ALMOST PREDICTABLE:

- MY BUSINESS IS TOO SMALL FOR COMPUTERS
- IT COSTS TOO MUCH
- I DON'T KNOW ANYTHING ABOUT COMPUTERS AND NEITHER DO ANY OF MY EMPLOYEES
- I DON'T UNDERSTAND COMPUTERS, MUCH LESS KNOW HOW TO RUN THEM

- MORE -

STOP, FOR A MOMENT, AND THINK ABOUT THOSE NAYSAYING ANSWERS. NOT ONE OF THEM HAS ANYTHING AT ALL TO DO WITH WHETHER OR NOT THE MICROCOMPUTER WILL SOLVE ANY OF THE COMPANY'S PROBLEMS. AND THAT IS THE PRIMARY CONCERN, IS IT NOT? ONCE AGAIN, WE'RE BACK TO THE BOTTOM LINE. BEFORE WE EVEN BEGIN TO CONSIDER THE MORE SOPHISTICATED THINGS MICROCOMPUTERS ARE DOING, I THINK WE CAN SAY THAT, HOWEVER SIGNIFICANT THOSE OBJECTIONS MAY HAVE SEEMED, THEY DON'T REALLY APPLY TO THE QUESTION OF WHETHER YOUR BUSINESS CAN SOLVE ITS PROBLEMS AND MEET ITS NEEDS WITH ELECTRONIC DATA PROCESSING.

IT IS MY PERSONAL OPINION, BOLSTERED BY THE MANY SPECIFIC CASES I'VE WORKED ON, THAT THESE BASIC USES OF THE MICROCOMPUTER SHOULD CONVINCE THE GREATEST SCEPTIC. BUT TO THOSE WHO REMAIN UNCONVINCED, LET'S LOOK AT SOME OF THE NEWER DEVELOPMENTS IN MICROCOMPUTER CAPABILITY.

ONE RELATIVELY NEW DEVELOPMENT IS IN THE AREA OF FINANCIAL ANALYSIS. INVENTORY STRATEGIES AND FINANCING POLICIES CAN BE USED BY THE COMPUTER TO DETERMINE THE BEST WAYS TO INCREASE CASH FLOW. AND, LET'S NOT FORGET THE 22,000-ODD BUSINESSES THAT FAILED LAST YEAR, MANY BECAUSE OF CASH FLOW PROBLEMS, THIS IS AN AREA OF DECIDED IMPORTANCE.

UNFORTUNATELY, MANY OF THESE MICROCOMPUTER ABILITIES ARE OVERLOOKED, EVEN BY PEOPLE WHO PROFESS EXTENSIVE KNOWLEDGE OF MICROCOMPUTER TECHNOLOGY. THE REASON THEY OVERLOOK THESE POSSIBILITIES IS THAT THEY HAVE NEVER TRIED TO APPLY COMPUTER

TECHNOLOGY TO EVERYDAY FINANCIAL SITUATION. THIS, I MIGHT ADD, IS WHAT CPAs DO EVERY DAY.

IN THE SAME VEIN, WITH THE APPROPRIATE SOFTWARE MICROCOMPUTERS CAN HELP DEVELOP FINANCIAL TRENDS AND GIVE YOU A SOPHISTICATED MEANS OF ANALYZING YOUR INVESTMENTS. THEY CAN TRACK ASSET DEPRECIATION, WHICH COMES IN HANDY AT TAX TIME. ONE COMPANY I AM FAMILIAR WITH USED THE COMPUTER TO KEEP TABS ON ITS VEHICLE MAINTENANCE PROGRAM.

THIS 'TRACKING' CAPABILITY HAS BEEN GREATLY ENHANCED BY THE USE OF 'ELECTRONIC SPREADSHEETS,' SUCH AS VISICALC AND OTHERS YOU MAY HAVE HEARD OF. THESE ARE SIMPLY SOFTWARE PROGRAMS WHICH ALLOW THE USER TO PROJECT DIFFERENT HYPOTHETICAL SITUATIONS TO SEE WHAT THE EFFECT WOULD BE ON THE COMPANY'S OVERALL SITUATION. IN OTHER WORDS, IT IS A VERY FAST MEANS TO DISPLAY THE RELATIONSHIP BETWEEN DIFFERENT FINANCIAL SITUATIONS.

ONE OF THE BENEFITS OF THE SPREADSHEET IS THAT IT CAN DO SOME OF THE BASIC ACCOUNTING PROCEDURES THAT YOU WOULD HAVE HAD TO PROGRAM FOR INDIVIDUALLY. IN FACT, MANY EXPERTS CONSIDER THE POTENTIAL FOR SPREADSHEET USAGE HAS BARELY BEEN TAPPED, AND THERE ARE SEVERAL NEWSLETTERS ON THE MARKET DEVOTED SOLELY TO HOW TO USE SPREADSHEETS.

AND STILL THE USES TO WHICH MICROCOMPUTERS CAN BE PUT GROW MORE SOPHISTICATED. WHERE THE ELECTRONIC SPREADSHEET CAPABILITY IS A BASIC ENTRY INTO THE WORLD OF GRAPHICS, NEW PROGRAMS FOR

MICROCOMPUTERS GIVE THE SMALL BUSINESS OWNER A REMARKABLE VARIETY OF GRAPHIC DISPLAYS TO CHOOSE FROM.

HOW CAN THESE BE USEFUL? IN ALL LIKLIHOOD, THERE ARE A NUMBER OF YOU IN THE ROOM TODAY WHO DON'T REALLY FEEL COMFORTABLE INTERPRETING OR EXPLAINING THE MEANING OF NUMBERS. THERE IS LIKELY TO BE MORE ACUTE DISCOMFORT WHEN COMPARING THE MEANING OF TWO DIFFERENT SETS OF NUMBERS AND DRAWING A PARTICULAR INFERENCE FROM THAT COMPARISON. THIS SITUATION COMES UP QUITE FREQUENTLY IN THE BUSINESS WORLD, AS IN PRESENTATIONS TO POTENTIAL CLIENTS, JOB BUDGETING, CONTRACT NEGOTIATIONS. THE GRAPHICS CAPABILITY OF THE MICROCOMPUTER CAN SIMPLIFY THIS PROCESS.

INSTEAD OF GIVING YOU TWO OR MORE COLUMNS OF NUMBERS, THE COMPUTER WILL GIVE YOU A PIE CHART OR ANOTHER TYPE OF GRAPH THAT SHOWS THESE RELATIONSHIPS CLEARLY.

THE MICROCOMPUTER IS REMARKABLY VERSATILE IN THE DIFFERENT KINDS OF CHARTS AND GRAPHS IT CAN PRODUCE. THIS IS ONE OF THE FASTEST GROWING AREAS IN THE MICROCOMPUTER FIELD.

DEPENDING ON THE SIZE OF YOUR COMPANY AND ITS COMPUTER NEEDS, THERE ARE OTHER DEVELOPING AREAS THAT MIGHT BE ATTRACTIVE. IT IS NOW POSSIBLE TO PURCHASE REASONABLY PRICED PRINTERS WHICH, WHEN LINKED UP WITH THE MICROCOMPUTER, GIVE YOU A PRINTING CAPACITY.

THE COMMUNICATIONS CAPABILITIES OF MICROCOMPUTERS ARE ALSO GROWING WITH DIZZYING SPEED. MICROCOMPUTERS CAN BE LINKED UP

WITH EACH OTHER, WITH A MAINFRAME COMPUTER IF THE COMPANY HAS ONE, AND, BY TELEPHONE, WITH COMPUTERS IN OTHER PARTS OF THE COMPANY OR EVEN THE COUNTRY. TO SIMPLIFY, ONE COULD SAY THAT THE COMPUTERS REALLY CAN TALK WITH EACH OTHER.

IT WOULD BE UNFAIR TO GIVE THESE REMARKABLE INSTRUMENTS SUCH A GLOWING REPORT WITHOUT MENTIONING THE ATTENDANT PROBLEMS THAT CAN ARISE IN THEIR IMPLEMENTATION. SOME VERY PERSPICACIOUS SOUL ONCE COMMENTED THAT COMPUTERS ARE USEFUL ONLY WHEN THEY ARE WORKING CORRECTLY. THAT SIMPLY MEANS THAT YOU MUST KNOW WHEN THEY AREN'T WORKING CORRECTLY.

IN THE FIRST PLACE, THE BASIC RULES OF PURCHASING A MICROCOMPUTER CAPABILITY STILL APPLY. THE FIRST AND GREATEST OF THESE IS TO DETERMINE FIRST WHAT SOFTWARE PROGRAMS YOU WILL NEED. THE OBVIOUS REASON FOR THIS IS THAT NOT ALL HARDWARE WILL ACCOMODATE ALL SOFTWARE. AND IF YOU'RE STUCK WITH HARDWARE THAT WON'T DO WHAT YOU WANT IT TO DO, YOU'RE OUT OF LUCK.

THIS IS ANOTHER AREA IN WHICH CPAs ARE BEING CALLED UPON TO GIVE ADVICE. THEY COUNSEL:

- FIRST, DETERMINE THE COMPANY'S NEEDS
- SECOND, SEE IF THERE'S SOFTWARE AVAILABLE TO MEET THESE NEEDS
- THIRD, BUY THE SOFTWARE
- FOURTH, BUY THE HARDWARE THAT WILL ACCOMODATE THE SOFTWARE

BEYOND WHAT THE PROGRAM DOES, THE MAIN THING TO CONSIDER IN BUYING SOFTWARE IS HOW WELL IT IS DOCUMENTED. SOFTWARE DOCUMENTATION IS NO MORE THAN THE ACCOMPANYING LITERATURE THAT

TELLS YOU HOW TO USE THE PROGRAM. SOME IS COMPLETE, DETAILED, EASY TO UNDERSTAND AND MAKES THE JOB EASY. SOME ISN'T. THAT IS THE KIND YOU WANT TO AVOID. FOR NO MATTER HOW KNOWLEDGEABLE YOU ARE ABOUT PROGRAMMING, OR HOW INTUITIVE ABOUT USING COMPUTERS, THE FACT REMAINS THAT YOU DIDN'T PROGRAM THIS SOFTWARE. AND WITHOUT DOCUMENTATION, YOU WON'T BE ABLE TO USE IT TO ITS FULLEST POTENTIAL, IF AT ALL.

OF POTENTIALLY GREATER SERIOUSNESS IS THE PROBLEM OF COMPUTER SECURITY. MORE AND MORE EMPLOYEES HAVE ACCESS TO AND KNOWLEDGE OF MICROCOMPUTERS. THE DELEGATION OF RESPONSIBILITY THAT HAS TRADITIONALLY SAFEGUARDED THE ACCOUNTING FUNCTIONS OF COMPANIES IS THEREFORE ELIMINATED, ESPECIALLY WHEN ALL THE INFORMATION IS FED INTO THE COMPUTER BY THE SAME OPERATOR.

THIS CAN CREATE SOME SERIOUS PROBLEMS. THE MORE SOPHISTICATED THE COMPUTER FUNCTION, THE GRAVER THE POTENTIAL PROBLEM. WHAT THIS HAS LED TO IS AN INCREASED DEMAND FOR MANAGEMENT CONTROL -- THROUGH MONITORING DATA ENTRY -- OF THE COMPUTER SYSTEM. IT IS ANOTHER AREA THAT THE CPAs FIND THEMSELVES HELPING BUSINESS OWNERS WITH.

THE PROBLEMS NOTWITHSTANDING, MICROCOMPUTERS ARE WITH US TO STAY. WE COULD EASILY SPEND ANOTHER HOUR DISCUSSING THE POSSIBILITIES FOR THEIR USE. IN SUMMARY, THOUGH, WE WOULD BE WELL ADVISED TO TAKE THE GREATEST POSSIBLE ADVANTAGE OF THEIR CAPABILITIES.

SOME WILL CONTINUE TO MAINTAIN THAT THE COST OF EDP

SYSTEMS REMAINS PROHIBITIVE FOR SMALL BUSINESSES. YET WE ARE SEEING THE SAME PHENOMENON AS TOOK PLACE WITH CALCULATORS YEARS AGO. THEY STARTED OUT AT RIDICULOUSLY HIGH PRICES; NOW EVERY SCHOOLCHILD HAS ONE.

WHAT THIS MEANS IS THAT EVEN THE MOST SOPHISTICATED MICROCOMPUTERS WILL SOON BE WITHIN THE FINANCIAL RANGE OF EVEN THE SMALLEST BUSINESS OWNER. THIS IS EXACTLY WHAT PROMPTED MY COLLEAGUE TO PREDICT THAT THEY WOULD BECOME AS UBIQUITOUS AS TELEPHONES.

BUT THAT AVAILABILITY PRESUPPOSES A NEED TO USE MICRO-COMPUTER CAPABILITIES TO THEIR BEST ADVANTAGE. AND TO ACCOMPLISH THAT, YOU WILL, IN ALL LIKLIHOOD, NEED SOME HELP. THERE ARE MANY OF US WHO WOULD BE HAPPY TO ACCOMODATE YOU IN THAT WISH.